

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS

**PILOT PROJECT FOR PRODUCTIVITY IMPROVEMENT IN
BARBADOS: A BEST PRACTICE APPROACH**

(ATN/MH-7725-BA)

MULTILATERAL INVESTMENT FUND

DONORS MEMORANDUM

CONTENT

EXECUTIVE SUMMARY	1
I. COUNTRY AND PROJECT ELIGIBILITY.....	1
II. BACKGROUND	1
III. PROJECT OBJECTIVES AND BASIC COMPONENTS	3
A. Objectives	3
B. Components	3
IV. EXECUTING AGENCY AND MECHANISM, PROJECT READINESS AND BENEFICIARIES	6
V. COST AND FINANCING	8
VI. PROJECT JUSTIFICATION AND RISKS	10
VII. PROJECT PERFORMANCE CRITERIA/BENCHMARKS AND EVALUATION	12
VIII. EXCEPTIONS TO BANK POLICIES AND PROCEDURES	13
IX. SPECIAL CONTRACTUAL CONDITIONS	13

LIST OF ANNEXES

Annex 1	Simplified Logical Framework
---------	------------------------------

LIST OF APPENDICES

Appendix	Proposed Resolution
----------	---------------------

BASIC SOCIOECONOMIC DATA

The basic socioeconomic data for Barbados is available on the Internet at the following address:

English:

www.iadb.org/int/sta/english/staweb

Spanish:

www.iadb.org/int/sta/spanish/staweb

LIST OF ANNEXES AVAILABLE IN PROJECT FILES

Annex II	Detailed Budget
Annex III	Consultants, Technical Report consisting of Organizations interviewed, Draft Terms of Reference for Project Consultants and a Detailed Logical Framework
Annex IV	Project Implementation Schedule
Annex V	BNPC's Client Base

ABBREVIATIONS

CET	Common External Tariff
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
MIF	Multilateral Investment Fund
BNPC	Barbados National Productivity Council
WTO	World Trade Organization

PILOT PROJECT FOR PRODUCTIVITY IMPROVEMENT IN BARBADOS: BEST PRACTICE APPROACH

(TC-99-09-02-2)

EXECUTIVE SUMMARY

Executing Agency:	The Barbados National Productivity Council (BNPC).																		
Beneficiaries:	The Barbados Private Sector; the Barbados National Productivity Council; the Labor Force.																		
Project Objectives:	<p>The main objective of the program is to increase the competitiveness of the economy by providing technical support to the private sector in the development of productivity measures and methodologies, international benchmarks and best practice tools, in order to generate productivity improvements at the firm level, thereby enhancing profitability and consolidation of economic performance.</p> <p>To accomplish this objective, the project will strengthen the operational capacity of the Barbados National Productivity Council (BNPC) to provide guidance and technical support to the private sector and will help the BNPC to become financially and administratively autonomous.</p>																		
Project Cost and Financing:	<table><tr><td>Non-reimbursable</td><td></td><td></td><td></td></tr><tr><td>MIF (Window II)</td><td>US\$416,580</td><td>60%</td><td></td></tr><tr><td>Local</td><td>US\$277,720</td><td>40%</td><td></td></tr><tr><td>Total</td><td>US\$694,300</td><td>100%</td><td></td></tr></table>			Non-reimbursable				MIF (Window II)	US\$416,580	60%		Local	US\$277,720	40%		Total	US\$694,300	100%	
Non-reimbursable																			
MIF (Window II)	US\$416,580	60%																	
Local	US\$277,720	40%																	
Total	US\$694,300	100%																	
Project Execution and Disbursement Period:	Project Execution will be over 24 months while the Disbursement Period will be 36 months.																		
Exception to Bank Policies:	As an exception, the BNPC is requesting that an amount of US\$14,000.00, spent on web site development (refer to component II), during the period May to November 2000, be recognized as local contribution. The web site, which is dedicated to																		

Given the importance of this element in ensuring that the objective of the program is achieved, the project team recommends recognition of these expenditures as counterpart contribution, provided that the Bank's procedures for acquisition of all goods and services have been followed.

**Environmental/
Social Review:**

The operation is not expected to have any negative social or environmental risks. However, the issue of environmental and social sustainability of productivity improvement practices will be addressed by the experts hired. In accordance with their TOR they will be required to give due consideration and ensure that there are no negative impacts. It is anticipated that a positive social impact will be derived from the distribution of productivity gains among the Social Partners.

**Special
Contractual
Conditions:**

None

I. COUNTRY AND PROJECT ELIGIBILITY

- 1.1 Barbados has been eligible for funding under the Multilateral Investment Fund (MIF) since December 12, 1995. The project, through its impact on private sector industries in the areas of productivity measurement and enhancement will complement on-going attempts by Barbados to improve international competitiveness, export performance and foreign exchange earnings. As outlined in the Barbados Country Paper (GN-2051), development of productivity benchmarks and strengthening of the Barbados National Productivity Council are key to supporting private sector development and external competitiveness. The program will also contribute to the objectives of reducing the levels of transfers to state and quasi-state agencies.

II. BACKGROUND

A. Macroeconomic situation

- 2.1 Throughout the last decade Barbados implemented a series of economic reforms aimed initially at stabilization, after a period of sluggish growth and weakening macroeconomic fundamentals. This program was closely monitored by the IMF and supported by an IDB Investment Sector Reform Program designed to directly address distortions in the financial sector and in the land markets, and to enable the environment for new investors. As part of its objective of promoting growth and maintaining macroeconomic stability, emphasis was put on productivity.
- 2.2 Currently the macroeconomic fundamentals are fairly sound. The unemployment rate has declined from 23% in 1992 to 9.6% in 1999. Inflation now remains within manageable levels at around 2.2%. The overall fiscal deficit has been contained at less than 2.5% of Gross Domestic Product (GDP) over the last seven years and a steady build-up of the current primary surplus has allowed the Government to finance an increasing share of the capital program out of counterpart funds. The level of foreign reserves now fluctuates between 14 and 16 weeks import cover. Barbados has discharged all its obligations under the CARICOM Common External Tariff (CET) and its trade policy is in line with WTO commitments.
- 2.3 With a stable macroeconomic framework now in place, the focus of the economic program has been shifting increasingly to the development and implementation of appropriate initiatives to support the consolidation of savings and investment performance and to increase competitiveness of the economy to address the far reaching implications of trade liberalization for the productive sector in particular.

B. The Tripartite Agreement

- 2.4 Following the experience of moderate growth in the late 1980s, the Barbadian economy declined in 1990. As part of the effort to revive the economy, the

Government, the Private Sector and the Trade Union movement entered into a tripartite consultative process, which was formalized by the passage of the National Productivity Council Act in 1993. The National Productivity Council (NPC) was established to support the tripartite process by providing the necessary training and expertise to promote a results based management culture, productivity measurement and performance-based salary and wage settlements in the public and private sectors.

- 2.5 Over the last eight years the Council has provided guidance and direction to private and public sector enterprises which have considered the distribution of profitability/productivity gains within their organizations. The tripartite process is a unique arrangement which contributed significantly to the sustained growth and stability that Barbados has experienced since 1993.

C. The Barbados National Productivity Council (BNPC)

- 2.6 In keeping with this objective, a National Productivity Board was established in August 1993 as an integral institutional component of economic management structure with the goal of increasing competitiveness through the promotion of productivity improvements. The Board was succeeded in 1996 by the Barbados National Productivity Council (BNPC) under the Barbados National Productivity Council Act. The BNPC is a tripartite technical entity created by the social partners to develop and disseminate productivity measurements throughout the economy. The Barbados Country Paper (GN-2051) states: "Bank strategy will seek, through technical assistance, to strengthen the BNPC as an important element of private sector development and external competitiveness".
- 2.7 The BNPC is a statutory body receiving an annual subvention from Central Government for the funding of its recurrent and capital expenditure programs. Its affairs are governed by a Board of Directors comprising representatives from Government, the private sector and the labor movement – its tripartite composition embodying the concept of the formal social partnership which has been a main institutional feature of the economic reform program that Barbados has been implementing since 1991. The BNPC's daily operations are managed by an Executive Director who is supported by a staff of ten (10) organized in three (3) divisions. Promotion of the concept of productivity growth as the basis for wages and compensation was the first order of business for the BNPC.
- 2.8 The BNPC had as its main objective the sensitizing of key players in the national economy in order to gain broad acceptance of the concepts. The BNPC has steadily increased its activities and raised its profile as a credible authority on the subject and as a repository of related technical information. Over the period 1996-2000 the BNPC delivered a mix of advisory and educational programs to clients in the public sector, the private sector and the labor movement. The BNPC has also undertaken several consultancy assignments assisting companies and Government agencies both locally and regionally in the development and application of productivity improvement techniques. So far the BNPC's efforts in

the development of productivity measurement techniques have been focused mainly on awareness and training activities. The BNPC has provided technical assistance in the actual development of performance-based incentive plans to twenty-two (22) private sector companies and four state-owned enterprises.

- 2.9 Responses from all the social partners have been encouraging and the provision of these professional services has now emerged as an important source of revenue for the BNPC, with earnings from this activity having grown significantly over the period 1996-2000, from US\$14,400.00 to US\$100,000.00. Through the strengthening component, the project will help the BNPC to become financially and administratively autonomous by the year 2005, with projected earnings of US\$400,000.00.

III. PROJECT OBJECTIVES AND BASIC COMPONENTS

A. Objectives

- 3.1 The main objective of this pilot project is to increase competitiveness of the economy by providing technical support to the private sector in the development of productivity measures and technologies, international benchmarks and best practice tools, in order to generate productivity improvements in the private sector, thereby enhancing profitability, and contributing to the consolidation of economic performance as a whole. To accomplish this objective the project will strengthen the operational capacity of the BNPC to provide guidance and technical support to the private sector and will help the BNPC to become a financially and administratively autonomous institution by 2005.

B. Components

- 3.2 The program consists of two (2) related components which are (i) Implementation of Productivity Enhancement Initiatives and (ii) Strengthening the Capacity of the BNPC to provide guidance and technical support to the private sector.

(i) Component I – Implementation of Productivity Enhancement Initiatives

- 3.3 Productivity enhancement initiatives entail the development of sound, practical and generally accepted measures of productivity and identification of available and suitable tools for the short-term improvement in productivity, as provided through benchmarking and best practices.
- 3.4 Basically, productivity measures describe the relationship between output and the labor time of employees or all persons engaged in the production process. Productivity measures are usually derived for general categories such as manufacturing and services as well as measures for sub-categories. Unit labor cost

measurement is also done in conjunction with productivity measures. The specific contribution of any factor of production is not always captured in these global measures. However, they represent the combined effect of many influences including technology, investment, capacity utilization and management skills. Expert analysis would be necessary to recommend how data, indices and price deflators used in the derivation of the measures should be developed. Decisions must be made with respect to the use of sample data or census of establishments, definition of compensation and indices of sector output, among other technical issues.

- 3.5 Benchmarking is a tool to help improve business processes or functions. Benchmarking could be defined as a continuous search for relevant best practices that contribute to better performance in the delivery of goods and services. It involves comparison with and learning from competitors and industry leaders. It is widely used in private industry in several countries. Large companies often conduct their own benchmarking, but small companies rely on specialized agencies such as the BNPC to provide the service. Benchmarking will serve as the immediate tool for productivity improvement.
- 3.6 Under this component, MIF will finance a pilot program to facilitate the collection of baseline data on output relationships and productivity measures in several key sectors. The component will also develop methodologies for the consistent analysis of productivity changes in the various economic sectors. A productivity adviser familiar with measures and methodologies that had worked in other countries will be contracted to advise the BNPC on this matter. With respect to benchmarking, the program entails a review of current best practices before identification and selection of practices considered suitable in the Barbadian economic context.
- 3.7 The BNPC, through its Project Steering Committee, will be responsible for selecting methodologies, measurements and best practices, after consultation with its clients. Currently, the methodological framework and experience are insufficient for a widespread application of these techniques. The proposed program with its emphasis on review, training and practical demonstration will provide the initial capacity.
- 3.8 The activities under this component are geared towards: (i) equipping industry professionals with some of the basic tools required to meet the challenges associated with greater exposure to international competition; (ii) promoting deeper understanding and endorsement of productivity enhancement initiatives among private sector management, workers, and unions; as well as, (iii) consolidation of the position of the BNPC as a credible repository of information and a source of technical support on productivity enhancement issues.
- 3.9 In developing and implementing productivity measurement and enhancement mechanisms, due consideration will be given to any social or environmental consequences.

3.10 The specific activities under this component will be:

- a. Development of new productivity measurements including output per unit of labor input, unit labor cost, indices, deflators, single and multi-factor productivity measurements and practical acceptable methodologies for their estimation.
- b. Establishment of a basis and framework for the consistent measurement of productivity changes over time, in different sectors and the general economy.
- c. Training programs to be developed and delivered by the consultants as follows:
 - i) The productivity adviser will develop and implement training programs aimed at facilitating a deeper understanding of basic productivity concepts, measurements and their use by private companies, the staff of the BNPC and worker support groups. Also included in this activity is the training of a core of facilitators in the delivery of training programs covering selected productivity issues.
 - ii) Three (3) benchmarking experts will design and deliver a series of orientation programs to assist BNPC staff, private sector management and employees, union representatives and public sector personnel in understanding their respective roles in the development of benchmarking methodology and the improvement of productive processes through the application of best practices.
 - iii) Four (4) in-country training consultants will design and deliver a series of in-country complementary training programs that will enhance the productivity initiatives. These programs will be geared to the needs of industry professionals, leadership of the trade unions, workers and the general public.
- d. Restructuring the existing public education/outreach program, to incorporate the electronic media and make wider use of the print media in an ongoing campaign designed to meet the information needs of the national community. A key feature of this activity is the further development of the already established BNPC web site that contains general and technical information. The technical section will target the needs of the private sector and the labor movement and access will be on commercial terms. A public relations consultant will assist BNPC in this exercise.

(ii) Component II – Strengthening the operational capacity of the BNPC to provide guidance and technical support to the private sector on a continuous basis and help the BNPC to become a financially and administratively autonomous institution.

3.11 There are two specific activities under this component: (a) strengthening of the management information system and (b) development and implementation of a business plan:

- a. Strengthening of the management information system of the BNPC will be necessary to enhance BNPC's capacity as a repository of relevant data on productivity. This data will be available to all firms in the country on a continuous basis. An expanded information system will allow the BNPC to respond effectively to requests for services and assistance. Information system management improvement will therefore entail the purchase and deployment of computers and necessary software, and other systems required to support the enhanced activities of the BNPC.
- b. The productivity advisor, supported by the executive director and the chief economist, will develop a new business plan which will ensure that the BNPC attains, in the shortest possible time, sustainable financial independence based on income from the provision of its technical services.

IV. EXECUTING AGENCY AND MECHANISM

- 4.1 The Barbados National Productivity Council will be the Executing Agency for the project. The BNPC will have responsibility for project execution, financial administration, procurement of goods and consulting services, provision of support services, and coordinating with the social partners and public education. The overall strategic guidance for the program will be provided by a Project Steering Committee (PSC). The PSC will be required to meet at least quarterly. The PSC is comprised of three Board members, one from each of the social partners, together with the executive director of the Barbados National Productivity Council. The chief economist of the BNPC will serve as secretary to the PSC.
- 4.2 In the implementation of the program, BNPC will contract the services of foreign and local experts in the methodological and practical issues involved in productivity measurement, benchmarking and application of best practices in productive processes relevant to the Barbados economy, in the use of the media to disseminate information and in the training of private sector personnel in technical subjects related to productivity enhancement. It is proposed to employ one (1) productivity adviser, three (3) benchmarking and best practices consultants, four (4) in-country training consultants and one (1) public relations consultant. The productivity expert would be the principal adviser to the BNPC and would also coordinate the work of other experts.

- 4.3 The Technical Coordination of the program will be carried out by the productivity adviser, who will be the first consultant to be contracted. To meet the needs of the existing range of private sector activities in Barbados, this consultant will advise the BNPC on the most appropriate approach to the compilation and maintenance of a set of benchmarking indicators; make recommendations on the final choice of industries and/or companies for the pilot study; assist with the finalization of the terms of reference and contracting of the three benchmarking consultants; monitor and supervise the technical work of these consultants. On an “as needed basis”, the productivity adviser will provide technical support to the PSC.
- 4.4 The benchmarking and best practice experts (3) will document a set of international benchmarking indicators and best practice tools appropriate to the specific needs and circumstances of the local private sector; test the benchmarking indicators developed in a pilot program; and based on the results, develop and document replication strategies to support the long term operations of the BNPC. These consultants should complete their work by the end of the first twelve (12) months of Project Execution.
- 4.5 The in-house training consultants (4) and the public relations expert should be in place by the beginning of the second year of project execution. The benchmarking experts could be considered as likely candidates to provide the in-house training; however this will necessitate new and separate contractual arrangements.
- 4.6 The Business Plan, in accordance with paragraph 3.9 (a), will be developed by the productivity adviser within four (4) months of the start of project execution.
- 4.7 Overall coordination of the program will be the responsibility of the chief economist of the BNPC, who will also provide counterpart support to the productivity adviser. The chief economist will be supported in-house by the three (3) BNPC staff members, who will be working as counterparts, alongside the benchmarking experts.
- 4.8 Administrative support for the program will be provided by the Accounting and Administration Unit of the BNPC, which is headed by a manager of administration. The Unit will handle the receipt and disbursement of all project related funds and will be responsible for maintaining and preparing proper accounting records, in accordance with the requirements of the Bank. A separate account will be opened and maintained for all project-related funds, including counterpart contributions.
- 4.9 The project execution period will be 24 months, and the disbursement period will be 36 months. A program implementation schedule is shown in Annex IV of the project files, and the BNPC has provided a list of firms, available in Annex V, from which the eventual participants in the pilot program will be drawn. About 10 to 20 firms will be selected on the basis of a representative sample of industry type and sizes, for the pilot project. The BNPC’s initial budget support has been provided and the BNPC is ready to begin project implementation.

V. COST AND FINANCING

- 5.1 The total estimated cost of the program is US \$694,300 of which US \$416,580 (or 60%) will be financed by MIF through its window II, with the remaining US \$277,720 being the BNPC's counterpart contribution. The detailed budget is provided in Annex II.
- 5.2 MIF resources will be earmarked to meet the costs of engaging international consultants (three benchmarking/best practice experts, a productivity adviser and an evaluation consultant). The BNPC counterpart contribution will cover the cost of the in-country training, the public education campaign, and the equipment required to support the internal strengthening of the BNPC, as well as the administrative expenses of the project. Office accommodations and expenses, and administrative costs related to in-country training, will be made in-kind.
- 5.3 The BNPC currently charges a fee for all technical support services to the private sector and the labor movement. Services to central Government and the rest of the public sector have been provided free of charge. The revenue stream from these activities has been sufficient to cover all associated costs (including those related to the provision of services to Government and its agencies) and realize a modest but increasing surplus since the BNPC assumed control of its own accounting arrangements in 1997.
- 5.4 With the implementation of this project, the fee structure will become applicable to Government agencies and at the same time the annual subvention to the BNPC will be reduced commensurately. Beyond the completion of the project, it is estimated that, with the expanded product range, the BNPC will be in a position to maintain delivery of the services, and available surpluses could be reinvested in further capacity enhancement.
- 5.5 The unions and private sector have agreed to provide counterpart funds towards the financing of support personnel, budgeted for an amount of US\$43,200.00. The private sector companies participating in the pilot project will pay a fee. Fees are structured to assist the BNPC to achieve financial autonomy.
- 5.6 Enhanced capacity, particularly the web based technical information dissemination capability, will also enable the BNPC to expand its clientele in response to regional and international demand. The BNPC estimates that 25% of its revenue will be from providing services to the region. All incremental costs associated with the expanded product and client range are recoverable.
- 5.7 The BNPC will continue to maintain a separate account to which all costs and revenues associated with the delivery of technical assistance will be assigned.

- 5.8 The key to the institutional sustainability of the program is the BNPC's ability to develop and maintain the capacity to deliver relevant, high quality services to its clients in a timely manner; its ability to expand its client-base in order to have a high demand for its products; and the ability and willingness of firms to pay for services. The BNPC has shown steady growth in its institutional capacity, which this program is designed to strengthen further. The fee structure and higher level staff will improve the BNPC's financial viability. The BNPC's affiliation with several external organizations in related fields, including the American Productivity and Quality Center (APQC), will also allow for access to research and other needed expertise. The growing demand for BNPC's services and the willingness of firms to pay has been clearly stated in the interviews held with umbrella organizations such as the Barbados Manufacturer's Association, the Barbados Hotel Association, the Barbados Employer's Confederation and the Barbados Private Sector Organization, in which strong views were expressed in support of what is seen as a long over-due intervention.

FINANCING				
Item	IDB/MIF	BNPC	Total	%
A. Component 1- Implementation of Productivity Enhancement Initiatives	316,004	119,196	435,200	62.8
1.0 Benchmarking & Best Practice Experts – 3	227,034		227,034	32.7
2.0 Productivity Adviser – 1	88,970		88,970	12.9
3.0 In-Country Training		85,196	85,196	12.3
4.0 Public Education		34,000	34,000	4.9
B. Component II – Internal Strengthening of BNPC	24,860	27,500	52,360	7.5
1.0 Development of Business Plan	24,860		24,860	3.6
2.0 Computer Equipment		20,000	20,000	2.9
3.0 Other Equipment		7,500	7,500	1.0
C. Administrative Expenses		94,800	94,800	13.7
D. Program Evaluation	21,380		21,380	3.0
Sub-Total	362,244	241,496	603,740	87.0
Contingencies (15%)	54,336	36,224	90,560	13.0
Total	416,580	277,720	694,300	100.0
	60%	40%	100%	

VI. PROJECT JUSTIFICATION AND RISKS

A. Justification

- 6.1 The justification of the project is given by the macroeconomic objective of promoting the resilience and competitiveness of the traded sector in a liberalized environment. The current structure of the economy reflects a very heavy bias in favor of the non-traded sector with the average contribution of the export sector accounting for just about 31% of GDP in the 5-year period 1994-1998. The growth of the wholesale and retail sector alone has outpaced that of GDP for the last 5 years and, with the strong growth currently being experienced by the construction sector, it is important for the traded sector to increase its contribution to foreign earnings to ensure continued stability of the external account.
- 6.2 The program will also contribute directly to efforts to deal with the distinct threat posed to the manufacturing sector by the opening up of world markets. Moreover, the sectors identified for special treatment in the program accounted for 45% of GDP in 1998. By paying special attention to the wholesale and retail sector, the program design recognizes its direct impact on the comparative advantage of the traded sectors.
- 6.3 By facilitating the development of an indigenous capability to generate benchmarking indicators, the project will support efficiency of private sector resource allocation. Existing and potential investors will be able to pursue more focused business strategies, as they will be able to base their decisions on empirical industry specific data on prevailing practices in the markets in which they are competing.
- 6.4 Barbados is the only CARICOM member state with a formal social contract and a functioning National Productivity Council. The consolidation of national consensus and enhancement of the BNPC's operational capabilities could therefore provide the rest of the region with valuable lessons of experience as well as equip the BNPC to assist other members of the economic union in developing structured and cost effective approaches to productivity enhancement. In so doing, the successful implementation of the program could be a valuable contribution to the institutional infrastructure required to support the CARICOM single market and economy.

B. Risks

- 6.5 Given the tripartite structure of the BNPC and the nature of the proposed interventions, the success of the project relies heavily on the continuing strength of the national consensus as embodied in the social contract. Any weakening of support for the principles of the social contract by any of its parties will undermine the achievement of the program's objectives. Probable causes of such

failure could be technical limitations, inflexibility of the organization structure, financial problems or perceptions of bias by the general public.

- 6.6 Interviews held with the social partners confirmed their strong interest in the project. Nevertheless, the project's design pays particular attention to the consolidation of the national consensus and includes a public education component to support this objective.
- 6.7 A possible risk could be the reluctance of firms to participate in the pilot study on a fee for service basis. However, the initial interviews showed strong support. Discussions held with private sector representatives indicate that they are willing to participate in the proposed pilot benchmarking exercise on a fee for service basis and some private sector companies have given their commitment, to the BNPC, to participate in the pilot activities. A formalization of participation and pledge is being documented. While the public relations activities could contribute towards mitigation of this risk, ultimately the willingness of business entities to pay for this service will depend on the ability of the BNPC to deliver quality products at a reasonable cost. This issue is addressed in the project design by the capacity enhancement component and by the proposed restructure of the BNPC, within the framework of a business plan, which will incorporate a fee for service feature as well as arrangements for outsourcing of services which are not covered by the BNPC's core competencies.
- 6.8 Institutional strengthening initiatives in small countries always face the risk of being undermined by staff turnover levels. To address this issue successfully, it will be important for the BNPC's human resource management policy and practice to pay ongoing attention to the development and retention of institutional memory. The project design addresses this issue by the inclusion of requirements for desk and training manuals in all relevant consultants' terms of reference.
- 6.9 Inadequacy of consultants' outputs constitutes another threat. This is largely a pioneering effort and it is important that systems be established to facilitate the recruitment of the best and most experienced available technical expertise. Towards this end, the program includes provision for the appointment of a productivity adviser to work with the BNPC on the finalization of a strategy for the conduct of the proposed benchmarking survey, the evaluation of consultancy proposals, the technical supervision of consultants' work, and the strengthening of the BNPC's capability to provide guidance to its clients in the private sector, the labor movement and the public sector.

C. Environment and Social Impact

- 6.10 The main activities under the program relates to the implementation of productivity enhancement initiatives and the strengthening of the operational and financial capacity of the BNPC. No major environmental or social risks are anticipated.

- 6.11 Productivity measures describe the relationship between output and labor, and the program will use benchmarking as the immediate tool to select the relevant best practices that contribute to better performances and an improvement in productivity. In developing and implementing productivity measurement and enhancement techniques, the consultants will be required, in their TOR, to give due consideration to the issue of the environmental and social sustainability of productivity improvement practices. Additionally, the participation of the Private Sector, Labor and Government, will serve to minimize any negative impact. It is expected that positive social gains will be derived from the distribution of productivity gains among the social partners. A strengthened institution will serve to ensure sustainability of these gains.

D. Benefits and Beneficiaries

- 6.12 The direct beneficiaries of the project will be the participating companies in the pilot study, as well as the BNPC. The pilot study will develop monitoring indicators for productivity performance in selected companies and identify productivity improvement measures that could be undertaken in the selected companies. The BNPC will benefit from staff trained in new methodologies for assessing productivity performance, a medium term Business Plan geared to financial sustainability, and a management information system. Secondary beneficiaries will be: the private sector institutions, who will benefit, through improved competitiveness, from the new services on productivity enhancements, to be provided by the BNPC; the Barbadian economy in general through more sustainable economic growth; and the trade unions and workers through a more transparent incentive-oriented wage bargaining process that is productivity based.

VII. PROJECT PERFORMANCE CRITERIA/BENCHMARKS AND EVALUATION OF RESULTS

A. Project Performance Criteria

- 7.1 During execution of the program, the BNPC will submit semi-annual progress reports and a final report to the Bank. The reports must measure the progress of the program against the monitoring indicators identified in the Logical Framework (Annex III of project files). The final report should also be submitted to the Bank in electronic format.
- 7.2 A mid-term review of the project should be carried out during the twelfth month of project execution. The PSC will be responsible for coordinating this mid-term review in which the Bank will participate. This review will be informed by the semi-annual progress report for the relevant period. Following the review, a written document printed and also by electronic format, should be submitted to the Bank by the executive director of the BNPC. This report should evaluate project performance, highlighting any major problems and issues and proposed solutions.

- 7.3 The PSC should report formally to the BNPC Board on a quarterly basis.

B. Evaluation of Results

- 7.4 An evaluation of the program should be carried out within 9 months of the completion date. The Bank will contract the consultant to carry out this evaluation. This evaluation should focus on the efficiency of program design and delivery, the quality of the consultancy services provided, the effectiveness of the replication strategy, the quality of technical support provided by the BNPC and the level of commitment demonstrated by the social partners to the retention of the respective productivity enhancements. While it may be difficult to draw firm conclusions within the relatively short period of 9 months, the evaluation should also focus on progress made by the BNPC towards achievement of its financial sustainability and the role of the program in this respect. A written evaluation report and also by electronic format, should be submitted to the Bank by the BNPC.

VIII. EXCEPTIONS TO BANK POLICIES AND PROCEDURES

- 8.1 The BNPC has commenced work on the public relations component of the project given the importance of this element in ensuring that the objective of the program is achieved. Over the period May to November 2000 the web site was developed and it is currently being tested. The amount spent to date is US\$14,000 and the project team recommends recognition of these expenditures as counterpart contribution, provided that the Bank's procedures for acquisition of all goods and services have been followed.

IX. SPECIAL CONTRACTUAL CONDITIONS

- 9.1 None

A. Simplified Logical Framework

	Narrative Summary	Monitoring Indicators	Means of Verification	Assumptions/Risks
Overall Objectives	To increase the competitiveness of the economy providing technical support in the development of productivity	<p>?? Traded sector contribution improved to 25% of GDP</p> <p>?? Workers productivity increased by 3%</p>	<p>?? Economic, social and statistical reports</p>	<p>?? Basic tenets of the existing macroeconomic policy framework will remain</p>

	Narrative Summary	Monitoring Indicators	Means of Verification	Assumptions/Risks
	measures and methodologies, international benchmarks and best practice tool, in order to generate productivity improvements in the private sector, enhancing thereby profitability and consolidation of economic performance.	per year. ?? Manufacturing sector productivity increased by 5% over two years.		in place. ?? Continued adherence by the social partners to the basic principles of the social compact. ?? The manufacturing and tourism sectors will respond positively to complementary policy initiatives.
Purpose	1. Development of productivity measurements, establishment of a framework for productivity changes over time, benchmarking and best practices application.	?? Benchmarking indicators methodology completed and tested by year 2. ?? Benchmarks for small manufacturing and tourism applied and evaluated by year 3.	?? Annual/periodic reports of BNPC. ?? Individual performance appraisal reports.	?? The BNPC will continue to recruit and retain capable staff. ?? The BNPC will be able to deliver quality services for which clients will be willing to pay.

	Narrative Summary	Monitoring Indicators	Means of Verification	Assumptions/Risks
Purpose	2. To strengthen the capacity of the National Productivity Council (NPC) to provide assistance, guidance and technical support to the private sector in the development of regional productivity benchmarks and best practice tools.	<p>?? 100% of BNPC staff trained in new benchmarking methodology and productivity tools.</p> <p>?? BNPC business plan incorporating the principles of sustainability and cost recovery completed and implemented.</p> <p>?? BNPC expanded client base by 40%.</p> <p>?? Phase out of subventions on a scale of 20% a year for five years.</p>	<p>?? BNPC accounts</p> <p>?? Auditor General's reports</p> <p>?? BNPC annual reports.</p>	Continued tripartite support for BNPC.